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Canada's New Government Continues to Reduce Taxes for All Canadians

The Honourable Jim Flaherty, Minister of Finance, today announced that Canada's New Government continues to reduce taxes for all Canadians as part of its strategy to create a Tax Advantage, one of the priorities identified in the Government's long-term economic plan, *Advantage Canada*.

Minister Flaherty today released draft legislation designed to implement tax measures proposed in Budget 2007 but not included in the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007. The legislation released today:

- Introduces a new Working Income Tax Benefit.
- Eliminates income tax on elementary and secondary school scholarships.
- Eliminates capital gains tax on donations of publicly-listed securities to private foundations.
- Enhances the child fitness tax credit.
- Expands the scope of the public transit tax credit.
- Increases the lifetime capital gains exemption to $750,000.
- Increases the deductible percentage of meal expenses for long-haul truck drivers.
- Provides tax relief in respect of the 2010 Winter Olympic and Paralympic Games.
- Allows for phased-retirement options for pension plans.
- Extends the mineral exploration tax credit.
- Enhances tax benefits for donations of medicine to the developing world. The Government is also developing a process requiring the certification of charities

eligible to receive such donations, including a requirement that the activities of the charity be consistent with World Health Organization guidelines.

- Streamlines the process for prescribed stock exchanges.
- Introduces an investment tax credit for child care spaces.
- Introduces a new withholding tax exemption with respect to certain cross-border interest payments.
- Prevents double deductions of interest expense on borrowed money used to finance foreign affiliates (the Anti-Tax-Haven Initiative).
- Eases tax remittance and filing requirements for small business.
- Increases the percentage of available input tax credits for goods and services tax and harmonized sales tax (GST/HST) paid on meal expenses of long-haul truck drivers.
- Increases the GST/HST annual filing and annual remittance thresholds.
- Increases the GST/HST 48-hour travellers' exemption.
- Introduces a self-assessment rule in respect of intangible personal property acquired on a zero-rated basis and consumed in furthering domestic activities.
- Repeals the excise tax exemptions for renewable fuels, including ethanol and bio-diesel.

The Minister noted that the Anti-Tax-Haven Initiative measures have benefited from the input of an informal roundtable of private sector tax experts. "While the Government alone is responsible for the underlying policy, the roundtable helped a great deal in the development of the specific rules," the Minister explained. "I offer my sincere thanks for these individuals' generous contribution of time and for their frank advice."

In addition, draft legislation to implement functional currency reporting, and to provide certain tobacco processors that do not manufacture tobacco products with relief from the Tobacco Manufacturers' Surtax, is being released as part of this package.

The Government is also releasing today draft legislation to implement the income tax and grant aspects of the Registered Disability Savings Plan proposed in the March 2007 budget.

Proposed measures related to the taxation of financial institutions announced on December 28, 2006, will be released in the near future.

The legislative proposals are being released in draft form so taxpayers and their advisors will have an opportunity to consider and comment on them before they are introduced in Parliament. Detailed explanatory notes on the proposals are also being released with the draft amendments. References to "announcement date" in the proposed legislation and explanatory notes should be read as referring to today's date.

Comments on the proposals are requested by October 23, 2007. Once the consultation period is over, the Government will work toward introducing these measures in Parliament at the earliest opportunity.

The legislative proposals and explanatory notes are available free of charge on the Department of Finance website. Printed copies will be available at a later date for $40 from the Department of Finance Distribution Centre at 613-995-2855.

Information on Budget 2007, which was tabled on March 19, 2007, is also available on the Department of Finance website.

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